

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

CONTINUING CONNECTED TRANSACTIONS ELECTRONIC ASSEMBLY SERVICE AGREEMENT

ELECTRONIC ASSEMBLY SERVICE AGREEMENT

The Board is pleased to announce that on 20 April 2020 (after trading hours), VMDG, an indirect non-wholly owned subsidiary of Company, and VRDG entered into the Electronic Assembly Service Agreement, pursuant to which VRDG has conditionally agreed to provide assembly service for electronic products to the Group from 20 April 2020 to 31 December 2021.

AGGREGATION OF TRANSACTIONS

Reference is made to the announcement of the Company dated 12 December 2018 in respect of the Plastic and Metal Services Renewal Agreement. Given that (i) the Plastic and Metal Services Renewal Agreement is valid until 31 December 2021; and (ii) VRDG provides certain services to the Group to facilitate the production process of the Group's products under both the Plastic and Metal Services Renewal Agreement and the Electronic Assembly Service Agreement, the transactions contemplated under the Electronic Assembly Service Agreement are required to be aggregated with the transactions contemplated under the Plastic and Metal Services Renewal Agreement pursuant to Rule 14A.81 of the Listing Rules.

LISTING RULES IMPLICATION

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder of the Company. Accordingly, VRDG is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Electronic Assembly Service Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the Aggregated Transactions are more than 0.1% and less than 5%, the transactions contemplated under the Electronic Assembly Service Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ELECTRONIC ASSEMBLY SERVICE AGREEMENT

The Board is pleased to announce that on 20 April 2020 (after trading hours), VMDG, an indirect non-wholly owned subsidiary of Company, and VRDG entered into the Electronic Assembly Service Agreement, pursuant to which VRDG has conditionally agreed to provide assembly service for electronic products to the Group from 20 April 2020 to 31 December 2021.

Major terms of the Electronic Assembly Service Agreement are as follows:

Date	20 April 2020
Parties	VMDG as purchaser VRDG as supplier
Effective period	20 April 2020 to 31 December 2021
Scope of services	VRDG shall provide assembly service in relation to certain electronic medical devices (such as humidifier and high flow oxygen therapy device) to VMDG.
Termination	Either party to the Electronic Assembly Service Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the assembly service provided by VRDG under the Electronic Assembly Service Agreement was determined based on VRDG's actual cost (including but not limited to costs on staff, rent, electricity and water and other assembly costs) plus 10% margin.
Annual cap	For the year ending 31 December 2020: HK\$15,000,000 2021: HK\$10,000,000

Basis of determination

The annual caps of service fee payable by the Group has been determined with reference to (a) the expected demand of the Group for the outsourcing of electronic assembly services for 2020 and 2021; and (b) the expected costs of VRDG for the electronic assembly services. In particular, although the costs of VRDG and the sales of the Group's electronic medical devices are expected to increase in 2021, the demand for VRDG's electronic assembly services is expected to drop as the Group is expected to increase its own production capacity.

AGGREGATION OF TRANSACTIONS

Reference is made to the announcement of the Company dated 12 December 2018 in respect of the Plastic and Metal Services Renewal Agreement. Given that (i) the Plastic and Metal Services Renewal Agreement is valid until 31 December 2021; and (ii) VRDG provides certain services to the Group to facilitate the production process of the Group's products under both the Plastic and Metal Services Renewal Agreement and the Electronic Assembly Service Agreement, the transactions contemplated under the Electronic Assembly Service Agreement are required to be aggregated with the transactions contemplated under the Plastic and Metal Services Renewal Agreement pursuant to Rule 14A.81 of the Listing Rules.

The following table summarised the annual caps under the Electronic Assembly Service Agreement and the Plastic and Metal Services Renewal Agreement:

Agreement	Parties	Term	Services to be provided/Products to be supplied	Annual caps for the year ending 31 December	
				2020 HK\$	2021 HK\$
Electronic Assembly Service Agreement	VMDG as purchaser VRDG as supplier	20 April 2020 to 31 December 2021	Provision of assembly service in relation to certain electronic medical devices (such as humidifier and high flow oxygen therapy device)	15,000,000	10,000,000
Plastic and Metal Services Renewal Agreement	VMDG as purchaser VRDG as supplier	1 January 2019 to 31 December 2021	Supply of certain plastic and metal components and provision of painting, embossing, repairing and moulding services	8,800,000	9,600,000
				<u>23,800,000</u>	<u>19,600,000</u>

For further details on the Plastic and Metal Services Renewal Agreement, please refer to the announcement of the Company dated 12 December 2018.

REASONS AND BENEFITS FOR ENTERING INTO THE ELECTRONIC ASSEMBLY SERVICE AGREEMENT

Since March 2020, the Group's production facilities for certain respiratory devices have been running at full capacity due to the outbreak of COVID-19 which had led to an increase in urgent sales orders for devices including but not limited to humidifier and high flow oxygen therapy device. In view of the surging demand for the Group's respiratory devices and the expected business growth in the second quarter of 2020 and onward, the Group is outsourcing certain production process to quickly expand its production capacity. VRDG has the relevant qualifications and expertise to provide assembly service in relation to certain electronic medical devices to the Group. The transactions contemplated under the Electronic Assembly Service Agreement are and will be conducted in the ordinary and usual course of business of the Group, and the consideration paid by VMDG to VRDG will not be less favourable than those provided by the Independent Third Parties to the Group for similar services.

INTERNAL CONTROL

In order to ensure the terms of the Electronic Assembly Service Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance department of the Company will closely monitor the transactions under the Electronic Assembly Service Agreement to ensure that the transactions amount will not exceed the annual caps for the Electronic Assembly Service Agreement;
- (ii) the finance department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Electronic Assembly Service Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Electronic Assembly Service Agreement and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;
- (iii) the Company's auditor will conduct an annual review of the transactions entered into under the Electronic Assembly Service Agreement to ensure that the transactions amount is within the annual cap and the transactions are in accordance with the terms set out in the Electronic Assembly Service Agreement; and
- (iv) the Company's independent non-executive Directors will conduct an annual review of the status of the transactions under the Electronic Assembly Service Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the pricing policy and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Electronic Assembly Service Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

INFORMATION ON THE GROUP AND THE PARTIES TO THE ELECTRONIC ASSEMBLY SERVICE AGREEMENT

The Group is principally engaging in the manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposables, orthopaedic and rehabilitation products.

VMDG is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. VMDG is principally engaged in the manufacturing of medical devices.

VRDG is a company established in the PRC and is principally engaged in the manufacturing of electrical appliances and the provision of subcontracting services to the Group. As at the date of this announcement, VRDG is an indirect wholly-owned subsidiary of VRI, which is a Controlling Shareholder of the Company. Accordingly, VRDG is a connected person of the Company.

LISTING RULES IMPLICATIONS

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder of the Company. Accordingly, VRDG is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Electronic Assembly Service Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the Aggregated Transactions are more than 0.1% and less than 5%, the transactions contemplated under the Electronic Assembly Service Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Electronic Assembly Service Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and on pricing terms no less favourable to the Company than those provided to the Independent Third Parties, and the terms and conditions therein as well as the annual caps for the Electronic Assembly Service Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, VRI is owned as to 57.89% by Mr. Choi and 42.11% by Ms. Liu. Accordingly, Mr. Choi and Ms. Liu are considered as having a material interest in the transactions contemplated under the Electronic Assembly Service Agreement. Mr. Choi, being the chairman and executive Director, has abstained from voting on the relevant resolutions of the Board approving the Electronic Assembly Service Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Electronic Assembly Service Agreement or is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

“Aggregated Transactions”	the transactions contemplated under the Plastic and Metal Services Renewal Agreement and the Electronic Assembly Service Agreement
“Board”	the board of Directors
“Company”	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	Mr. Choi, Ms. Liu and VRI, being the controlling shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules
“Directors”	the directors of the Company
“Electronic Assembly Service Agreement”	the electronic assembly service agreement dated 20 April 2020 entered into between VMDG as purchaser and VRDG as supplier in relation to the provision of certain electronic assembly service
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Man Shing, the chairman and executive Director of the Company and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching, the spouse of Mr. Choi
“Plastic and Metal Services Renewal Agreement”	the plastic and metal services agreement dated 12 December 2018 entered into between VMDG as purchaser and VRDG as supplier in relation to the renewal of the provision of certain plastic and metal components and painting and embossing services as set out in the announcement of the Company dated 12 December 2018
“PRC”	the People’s Republic of China
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VMDG”	東莞永勝醫療製品有限公司 (translated as “Vincent Medical (Dongguan) Mfg. Co. Ltd.”), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“VRDG”	永勝(東莞)電子有限公司 (translated as “Vincent Raya (Dongguan) Electronics Co., Ltd.”), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of VRI
“VRI”	VINCENT RAYA INTERNATIONAL LIMITED, a limited liability company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu as at the date of this announcement, and one of the Controlling Shareholders

“%”

per cent

By Order of the Board
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director

Hong Kong, 20 April 2020

As at the date of this announcement, the Board comprises Mr. Choi Man Shing, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu as executive Directors, Mr. Guo Pengcheng as a non-executive Director, and Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung as independent non-executive Directors.